

NOTICE TO ALL ACTIVELY LICENSED CONTRACTORS

You must maintain your license requirements or face immediate forfeiture of the license. Section 444-11.1, Hawaii Revised Statutes, states as follows:

"§444-11.1 Requirements to maintain license. (a) A licensed contractor shall have and maintain in full force and effect the following:

- (1) Workers' compensation insurance; unless the licensee is authorized to act as a self-insurer under chapter 386 or is excluded from the requirements of chapter 386;
- (2) Liability insurance from an insurance company or agency for comprehensive personal injury and property damage liability; and
- (3) Bond when required by the board, under section 444-16.5.

(b) Failure, refusal, or neglect of any licensed contractor to maintain in full force and effect, the applicable workers' compensation insurance, liability insurance, or bond shall cause the **automatic forfeiture** of the license of the contractor effective as of the date of expiration or cancellation of the contractor's workers' compensation insurance, liability insurance, or bond.

(c) The board shall not restore the forfeited license until satisfactory proof of continuous insurance and bond coverages is submitted to the board as required by this section.

(d) Failure to restore a license within sixty days after the date of forfeiture shall result in the forfeiture of all fees and shall require the person to apply as a new applicant.

(e) The board may assess a fee not to exceed \$1,000, impose a bond, or restrict the license as a condition for the restoration of a license forfeited pursuant to this section.

(f) A licensee may, within sixty days after receipt of the notification of the forfeiture, request an administrative hearing to review the forfeiture pursuant to chapter 91." (emphasis added)

This means that upon the expiration, termination or cancellation date of either your liability insurance, workers' compensation (when not exempted pursuant to chapter 386) or bond (when required), your license is automatically forfeited. Should you fail to submit satisfactory proof of continuous coverage within 60 days, your license remains forfeited, and you will be required to file a new application for a license.

It is your obligation as a licensee to maintain and notify the board of your liability insurance, workers' compensation and bond coverages when applicable.

To ensure receipt by the board of your insurance certificates or bond, we suggest you have your insurance agency give you 2 copies of the certificate (rather than having the insurance agency sending the certificate directly to the board's office). Upon receipt from the insurance agency, you in turn should mail the original certificate/bond to the board and retain the copy for your files. We also recommend that you verify that we received your insurance certificate/bond by calling our Licensing Branch at (808) 586-3000 or viewing your license status via our website at www.hawaii.gov/dcca/pvl.

IMPORTANT NOTICE TO ALL LICENSEES

Section 16-77-83 of the Contractors License Board's Rules require a licensee to be identified as a licensed contractor by listing the name and license number of the contractor when advertising through any media. This would include newspaper advertising, advertising in the yellow pages and advertising in any shoppers' news.

All licensees are issued a license number and a pocket identification card. The license number is printed in the upper left side of the identification card. This is the number you are to list whenever you advertise. Each licensee, for the licensee's own protection, should require all persons who solicit construction contracting work to show identification as a licensed contractor.

Also, to control unlicensed activity, the Board had legislation enacted which provides for suspension or revocation of license if a contractor is found entering into contracts with unlicensed persons for the performance of construction contracting work.

You are hereby advised that failure to comply with the law or with the Board's rules could result in suspension or revocation of your license.

IMPORTANT NOTICE TO HOME CONSTRUCTION OR IMPROVEMENT CONTRACTORS

Hawaii Revised Statutes section 444-25.5 was amended in 1995 by Act 20 and provides as follows:

§444-25.5 Disclosure; contracts. (a) Prior to entering into a contract with a homeowner involving home construction or improvements and prior to the application for a building permit, licensed contractors shall:

- (1) Explain verbally in detail to the homeowner all lien rights of all parties performing under the contract including the homeowner, the contractor, any subcontractor or any materialman supplying commodities or labor on the project;
 - (2) Explain verbally in detail the homeowner's option to demand bonding on the project, how the bond would protect the homeowner and the approximate expense of the bond; and
 - (3) Disclose all information pertaining to the contract and its performance and any other relevant information that the board may require by rule.
- (b) All licensed contractors performing home construction or improvements shall provide a written contract to the homeowner. The written contract shall:
- (1) Contain the information provided in subsection (a) and any other relevant information that the board may require by rule;
 - (2) Be signed by the contractor and the homeowner; and
 - (3) Be executed prior to the performance of any home construction or improvement.
- (c) For the purpose of this section, "homeowner" means the owner or lessee of residential real property, including owners or lessees of condominium or cooperative units.
- (d) Any violation of this section shall be deemed an unfair or deceptive practice and shall be subject to provisions of chapter 480, as well as the provisions of this chapter.

DISCLOSURE OF LIEN RIGHTS

Access this form via website at: www.hawaii.gov/dcca/pvl

HOMEOWNERS TAKE NOTICE

Any person who furnishes labor (prime or subcontractor) or materials (material supplier) for your home improvement or renovation project and is not paid can file a claim (lien) in court against your property under Hawaii Revised Statutes ("HRS") chapter 507. This is true even if you have paid the contract price in full to the prime contractor and the contractor fails to pay his subcontractors or material suppliers.

In order to obtain a lien against your property, a contractor, subcontractor, or material supplier must go to court and show that goods or services for the project have been supplied but not been paid for. You will be notified to appear and defend against these claims in court.

If a lien is obtained, you are entitled to prove in a later court proceeding that you paid your prime contractor in full. The court could then enter judgment in your favor against the prime contractor and direct payment out of the contractor's recovery fund up to the amount allowed by law, if the prime contractor was properly licensed at the time you entered into the contract with the prime contractor.

WHAT YOU CAN DO

Here is what you can do to help prevent problems:

- (1) Make certain that the contractor is licensed. Call 587-3295 to verify licensure.
- (2) On bigger jobs ask the contractor to explain to you about the possibility of providing a PERFORMANCE AND PAYMENT BOND which will guarantee completion of the project and payment of all liens. This Bond is usually provided by surety companies or material supply houses to qualified contractors. It may cost you approximately 5% of the project cost.
- (3) YOU SHOULD NOT MAKE ANY ORAL AGREEMENTS. Make sure everything is put in writing, including but not limited to the price, what work is to be done, any specific exclusions or restrictions, and the grade and brand of materials to be used, the length of the project, etc. See HRS §444-25.5 and the rules of the Contractors License Board. If you later agree to make any changes in the original specifications, THESE CHANGES SHOULD BE IN WRITING AS WELL.
- (4) TAKE TIME TO STUDY THE AGREEMENT. Do not let a contractor or salesman hurry you into signing a contract; especially when you feel pressured by emergencies.
- (5) REMEMBER, A CONTRACT IS A LEGAL, BINDING DOCUMENT. Make certain you understand the contract. If not, spend a few extra dollars to have an attorney explain it to you.
- (6) OBTAIN A LIEN RELEASE FROM SUBCONTRACTORS. A mechanic's lien could be placed on your home by a subcontractor if the general contractor fails to pay his bills--EVEN THOUGH YOU HAVE PAID FOR THE WORK. The same thing holds true FOR SUPPLIERS OF CONSTRUCTION MATERIALS INCORPORATED INTO YOUR JOB...GET A LIEN RELEASE! Contractors could provide you with a lien release form. This form will essentially state that you have paid or have entered into an agreement to pay the subcontractor or supplier for their work, and that the subcontractor or supplier therefor relinquishes their lien rights.
- (7) DO NOT APPROVE PLANS OR BLUEPRINTS unless you understand them.
- (8) PLEASE BE SURE YOUR CHECKS are made out to the CONTRACTOR, NOT TO A SALESMAN.
- (9) Make sure and publish a "NOTICE OF COMPLETION" in the newspaper as soon as the work is done. No lien may be claimed 46 days after the notice requirement (among other things) is completed in accordance with HRS §507-43.
- (10) Discuss with your contractor the possibility of withholding a portion of payment until the 45-day period for filing liens has expired. The amount withheld should be sufficient to cover all claims which might be filed. You and your contractor must agree on the amount.
- (11) If you have any questions about lien rights or other contract matters, DO NOT SIGN this or any contract. Review HRS chapter 507 and/or contact an attorney first.

This form has been approved by the Contractors License Board; however, the Board suggests that a person become familiar with the laws and rules governing contractor's and mechanic's liens prior to entering into a contract with a contractor for new construction or improvements.

I (we) have discussed with the contractor the lien rights of those who will be supplying labor or materials to my (our) project as well as steps I (we) can take to reduce our lien liability. I (we) have read and understand this DISCLOSURE OF LIEN RIGHTS.

DATED this _____ day of _____, 20_____.

CONTRACTOR

OWNER

WITNESS

OWNER